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Restaurant *News* *Week*

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 25, No. 23

Published every Monday by Lebhar-Friedman Inc. \$3 per issue

June 10, 1991



Morrison's knows how to party . . .

While Morrison's Custom Management maintains its focus on institutional and business accounts and exploits nutrition trends, the contract foodservice giant is expanding its venture into the glitzy world of off-premises and event catering/Segment Special begins on page 27.

Operators bullish on stock offerings

Hungry for cash, restaurant companies flood Wall Street with IPOs, new issues

by Robin Lee Allen

NEW YORK — Cash-hungry restaurant companies looking to feed on the resurgent postwar stock market have recently flooded Wall Street with initial public offerings and new issues of common stock.

With bank financing scarce and debt loads heavy after the breakneck growth of the 1980s, public offerings have become an attractive method for foodservice companies to raise money needed to lighten balance sheets and fuel expansion.

Au Bon Pain Co. Inc., Bertucci's Brick Oven Pizzeria, IHOP Corp. and Outback Steakhouse Inc. are now awaiting Securities and Exchange Commission approval for IPOs,

and all expect to be publicly traded by the end of June. Sonic Corp. made its initial offering in late February.

Spaghetti Warehouse Inc., Brinker International Inc. (formerly Chili's), Uno Restaurant Corp. and Cracker Barrel Old Country Stores Inc. have collectively offered some 4.8 million new shares to the public since February, and Promus Cos., a hotel operator, expects to add 7 million shares to that figure in June.

A strong market coincident with the current credit crunch has precipitated the rush of public offerings, analysts said. The Dow Jones industrial Average has increased 13.9 percent

since January.

"It's very difficult to raise bank financing, so companies are looking more closely at raising equity," said Michael Mueller, analyst and managing director of Montgomery Securities in San Francisco. "Since the opportunity is there to sell stock at attractive valuations, they move to take advantage of it."

Once started, a strong IPO market feeds on itself, said Dennis Telzrow, senior vice president of The Principal/Eppler, Guerin & Turner, a brokerage in Dallas.

"It generally happens in cycles," Telzrow said. "The IPO market as a whole gets strong, (See OPERATORS, page 73)"



Jones



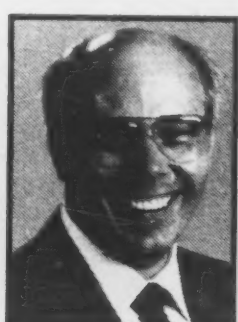
Magruder



McDougall



Reimer



Rensi



Roberts

NRN chooses 6 top execs as Golden Chain winners

by Charles Bernstein

NEW YORK — Six Multi-Unit 1991 Golden Chain Operators of the Year have been selected from among leading chain executives by the editors of Nation's Restaurant News. They were named for outstanding contributions to their companies and to the foodservice industry over the past 12 months.

They will be honored at NRN's annual Multi-Unit Food Service Operators (MUFSO) conference awards banquet at the Atlanta Marriott Marquis on Tuesday evening, Oct. 8. One of the six will be chosen MUFSO Operator of the Year by a readers' ballot to be published in NRN next month and to be announced at the conclu-

sion of the MUFSO banquet.

For the first time in the 32-year history of MUFSO, American Express is co-sponsoring the Golden Chain awards with NRN.

As it happens, three of the six Golden Chain winners are based in Dallas, a thriving headquarters market area for top chains. Coincidentally, one of the Dallas-based and two of the other winners' last names start with R. More important, each of the six has built a formidable operation in his segment.

The six Golden Chain winners, in alphabetical order:

- R. Wray Jones, food services vice president of Neiman-Marcus department stores,

who has fashioned N-M's flagship Dallas restaurant and other N-M restaurants into the best of in-store feeding.

- Ronald Magruder, president of Orlando, Fla.-based Olive Garden, who has molded the Italian family restaurant chain into a counterpart of Red Lobster and the dominant force of its own segment.
- Ronald McDougall, president of Dallas-based Brinker International (Chili's, Regas and Romano's), who has emerged as a driving force of Chili's sterling growth and the other two chains' development. (See GOLDEN, page 72)

Waxman, Singer plan joint venture in Napa Valley

by Alan Liddle

NAPA, Calif. — Bicoastal celebrity chef and consultant Jonathan Waxman, who has been without a restaurant of his own for the past few years, is teaming up with wine specialist Stephen Singer, husband of Chez Panisse founder-specialist Alice Waters, to open a new restaurant in the Napa Valley.

A spokesman for Singer confirmed that he, Waxman, and George Altamura, a contractor and vineyard owner, are all partners in the new restaurant. The owners, who have not yet named the "American" restaurant, are tentatively plan-

ning a July opening, she said.

Singer's representative confirmed that Waxman would be the chef as well as a shareholder.

While Alice Waters will not play an active role in the new restaurant, Singer has reportedly bestowed her with the honorary title of "Aesthetic Muse."

The new 2,900-square-foot restaurant is now under construction on a parcel off Highway 29 between the wine country towns of Napa and Yountville. Cafe Brix, which (See WAXMAN, page 72)

INSIDE

Someday the recession will end

Charles Bernstein/Page 21

The many reasons for bar munchies

Mort Hochstein/Page 40

THIS WEEK

NEWS

- 7 Allen exits Marriott for Le Madeleine
- 7 Palmieri striving to revamp Bay Street's image
- 36 NRA, US Culinary Team wine and dine at Capitol Hill
- 46 Italian Farmhouse, Marconi's hurdle recession
- 51 NRA unveils schedule of board meetings
- 51 Mobile Food, Domino's ink Paris deal
- 54 Amex panelists mull industry outlook at breakfast

FOOD

- 11 Fabricant/Fat in food isn't fading; it's just shifting a little
- 11 Food News Digest
- 11 What's Hot in Key West, Fla.

MARKETING

- 12 Marketing and operations must work hand in hand
- 12 Marketing Digest
- 12 Ad Watch

FINANCIAL

- 14 Food Price Outlook
- 14 Financial Digest
- 14 Fact File

COAST TO COAST

- 18 Stouffer's Avalon: Only the name remains the same
- 18 Hayes/You gotta have faith — in the Pizza Hut billboards?
- 18 Coast to Coast Digest

SUPPLIER NEWS

- 44 New Visa campaign to hit San Francisco, Chicago
- 44 Baskin-Robbins rolls Confections & Cream
- 44 Supplier Digest

OPINION

- 21 Bernstein/Recession will end, but nobody can say when
- 22 Nostalgia: The Golden Arches revisited

FORECAST & TRENDS:
CONTRACT FEEDERS

- 27 MCM's one-night affairs
- 30 Versatility: The wind beneath MCM's wings
- 34 MCM focuses on nutrition, rolls out healthful fare

OPERATIONS

- 40 Hochstein/All kinds of reasons for 'munchies' at the bar
- 48 Patterson/Keeping good records helps cut food costs

FEATURES

- | | | | |
|----|--------------------|----|------------------|
| 21 | Letters | 59 | Product Showcase |
| 22 | Side Dishes | 63 | Foodservice Mart |
| 22 | Name of the Week | 72 | Subject Index |
| 42 | Calendar of Events | 72 | Advertiser Index |
| 58 | Book Digest | | |

NRN DIRECTORY

For complete directory, see page 21.

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NEWS BRIEFS

Bush criticizes
rights act, raising
businesses' hopes

WASHINGTON — With the combatants squaring off for a pitched battle over the landmark civil-rights act pending in Congress, President Bush has declared himself on the side of the restaurant industry and other trades that strongly oppose the bill.

The president's dismissal of the act as a "quota bill" increases the likelihood that he will veto the Democrats' proposal. Businesses have fought the legislation because it would facilitate workers' efforts to collect damages from employers suspected of discriminating against employees because of their gender, religion or age.

Foodservice and other industries have asserted that they will be forced to protect themselves from lawsuits by using hiring quotas. They argue that they will be forced to hire people because of their demographic traits rather than their skills.

To blunt that criticism, Democratic leaders recently appended their bill to explicitly outlaw quotas. But businesses say the stipulation only increases the danger they would face under the act. They argue that they could be sued for age, sex or religious discrimination if they do not use hiring quotas yet could be sued under the quota ban if they hired someone for reasons other than their abilities.

Bush entered the fray when he dismissed the quota ban as an empty provision. During his commencement address at the U.S. Military Academy in West Point, N.Y., he said the Democrats' civil-rights act was still a "quota measure," explaining that "you can't put a sign on a pig and say it's a horse."

Bush wants to replace the Democrats' civil-rights act with a bill drafted by the White House.

Hardee's creates
task force to finish
Roy's conversion

ROCKY MOUNT, N.C. — Hardee's Food Systems has created a task force of company executives and franchisees to determine the best ways to convert the 200 remaining Roy Rogers restaurants — all of which are in the Northeast — into Hardee's units.

Thomas M. Coyle, director of merger integration, said the group will develop operational and marketing strategies to slowly acquaint Roy Rogers' customers with the Hardee's concept.

Coyle noted that because consumers in Philadelphia, New York and its suburbs are largely unfamiliar with the Hardee's brand name, the overnight conversions that were used in Washington and Baltimore may not be as effective in the Northeast.

"We're looking for a way to blend them together before there is a complete and permanent change to Hardee's," Coyle said.

Ex-Bojangles' prexy
Bifone takes helm
at Souplantation

DEL MAR, Calif. — John R. Bifone, the former president and chief executive of the Bojangles' Inc. chicken chain, has been named chairman and chief executive of Souplantation Inc., the San Diego-based operator of the 21-unit Souplantation and 4-unit Sweet Tomatoes food-bar restaurant chains.

He succeeds Souplantation cofounders Tony Brooke and Michael Mack, who remain on the company's board of directors. Brooke was chairman and chief executive; Mack was president.

Bifone's 30 years in food include tenures as executive vice president of Chi-Chi's Inc. and as president and chief executive of Country Kitchen International.

Handke to leave
Greenbrier, join
Pete's in Columbus

WHITE SULPHUR SPRINGS, W.Va. — Master chef Hartmut Handke will resign at the end of June as executive chef at The Greenbrier, the 6,500-acre luxury resort here where he supervised production and service of 4,000 meals a day since 1986.

Handke, considered one of the nation's top culinarians, will become a partner in Columbus, Ohio-based Pete's Steak House, which is owned by chef and restaurateur Berndt Gros. Handke's assignment will be to shift the operation toward international cuisine.

A highly decorated chef, Handke competed on the 1988 U.S. Culinary Team and was named 1989 Culinarian of the Year by the American Culinary Federation.

Before joining The Greenbrier, Handke was executive chef at the Athletic Club of Columbus.

Chicago celebrity
disappears

CHICAGO — Karl-Heinz Granitz, Chicago's soccer-star-turned-restaurateur, has disappeared, leaving behind about \$500,000 in debt.

Granitz's partner in the shuttered Cocorico restaurant, Louis Retaillieu, said he does not know where Granitz went. Retaillieu's wife went to Germany, Granitz's homeland, to search for him.

Granitz was a star member of the Chicago Sting, the town's professional soccer team. He was plagued with other business and legal problems in addition to those at Cocorico, where business had fallen off after a promising beginning in 1988. His wife and three children vanished with him.

Renaud exits Skats
because of dispute
with Boddie-Noell

ROCKY MOUNT, N.C. — Foodservice veteran Ernie Ren-

aud has resigned as head of the Skats chicken-and-burger drive-thru chain because of philosophical differences with the concept's owner, Boddie-Noell Enterprises.

Boddie-Noell, which is also a major Hardee's franchisee, issued a one-sentence statement announcing Renaud's resignation as president of the company's Specialty Concepts division. It explained that Renaud did not agree with the operating philosophy and management style of senior management.

Renaud, 63, joined Boddie-Noell in mid-1989 to expand Skats after he was fired as president of Church's Chicken following its acquisition by Al Copeland.

Previously, Renaud was president of Investors Management Corp., operators of the 515-unit Golden Corral chain.

Renaud also spent 14 years at Jerico Inc., spearheading expansion of the Long John Silver's Seafood Shoppes chain from 200 units in 1972 to more than 1,300 by the time he left in 1984.

Brown tapped
to head Circle K

PHOENIX — Bart A. Brown, chairman of Circle K Corp., has been named to the additional post of chief executive of the convenience-store chain here.

Brown, 59, fills the vacancy left by Karl Eller, who stepped down before Circle K filed for Chapter 11 bankruptcy protection last May. The company brought in Brown at that point to restructure its finances.

Brown, a tax, legal and accounting specialist, is on a temporary leave of absence from his senior partnership position with a Cincinnati law firm.

Nathan's inks deal
for overseas units

WESTBURY, N.Y. — In its first venture beyond the United States, the Nathan's Famous hot-dog chain has granted rights to open 185 units in Europe and Asia.

The seven-year pact calls for American Fast Foods International Inc., a spin-off of a British merchant banking concern, to open Nathan's Famous units in England, France, Germany, Italy, Spain, Thailand, Taiwan and Singapore.

AFFT's officers and directors include several former Burger King executives. Stephen Finn, who headed European and Middle East operations for the 5,500-unit burger chain, is president and chief operating officer. J. Jeffrey Campbell, Burger King's former chief executive, and C. Ronald Petty, another former BK president, serve on AFFT's board.

Financial terms of the agreement were not disclosed.

The 75-year-old Nathan's has 70 units in the United States. It recently granted area-development contracts for Florida and Massachusetts and signed a 70-unit franchise pact with Marriott Corp., which plans to open the hot-dog outlets along toll roads and in airports.

Subscription rate: Food Service operators, wholesalers/distributors and brokers/dealers, 1 yr. \$34.50; 2 yrs. \$55.00; Mfr. Arch. Consult, 1 yr. \$59; Others Allied to Field, 1 yr. \$89.
Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, P.O. Box 31179, Tampa, Fla. 33631-3179.

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FINANCIAL NEWS

McD seeks to boost sales through new menu selections

(Continued from page 1)

McDonald's the seventh-largest pizza provider in the nation by number of units, Skinner said. McDonald's is developing a 12-inch pizza that can be ready five minutes after ordering.

McDonald's continues to emphasize menu expansion in its quest to break out of a domestic sales slump.

While worldwide system-wide sales rose 6 percent to \$4.5 billion during the first quarter ended March 31, U.S. system-wide sales dropped 1 percent to \$2.8 billion. And an overall 7-percent hike in net income to \$168.5 million, on a 3-percent revenue uptick to \$1.6 billion, was mostly due to strong international performance.

U.S. operating income slid 2 percent to \$211.3 million in the quarter, with domestic revenues off 5 percent to \$869.1 million in year-to-year comparisons.

"A dinner menu is a long-term priority," Skinner noted.

Since McDonald's has started encouraging franchisees to experiment with additional items, at least one high-profile Chicago franchisee has added several Italian dinner entrées that change nightly.

Turkey is another product that McDonald's may incorporate into its menu, commented McDonald's USA president Edward Rensi.

"One of our suppliers is putting together some products for our review," Rensi said in response to a shareholder question about the possibility of adding lower-fat protein alternatives to the menu. "Turkey is in our future."

He noted that turkey already is being served in a submarine sandwich in selected test markets.

"By increasing the number of products we have, we have a better chance of hitting home runs," Skinner theorized.

In an interview after the meeting, Rensi said McDonald's core menu of burgers, fries, soft drinks and milk shakes remains strong, and asserted that so many new items will not dilute McDonald's concept of serving hot food fast in a pleas-

Highlights of McDonald's annual meeting

- In search of an antidote to deteriorating domestic sales, the chain is eyeing a barrage of new products, including a chicken fajita entrée, a breakfast burrito and turkey items.
- A second unit of Golden Arches Cafe, the burger behemoth's new concept, is scheduled to open in Tennessee.
- The McLean Deluxe is selling better than the sandwich it replaced, the McD.L.T., company officials said.
- McDonald's is planning to build 20 units of McDonald's Express, the chain's scaled-down drive-thru format.

ant environment at a low cost. Improving technology enables McDonald's to broaden the menu and still maintain good service times, he said.

McDonald's newest burger, the low-fat McLean Deluxe, is selling better than the higher-fat sandwich it replaced, the McD.L.T., Rensi said. He would not reveal specific sales figures.

On the international front, new product introductions are of lesser importance because opportunities abound for opening new restaurants. The company opened 335 new restaurants in foreign countries in fiscal 1990, compared with 306 in the United States. It expects to open about 300 foreign and 300 domestic units in 1991.

The international division, which totals 27 percent of all McDonald's restaurants, contributed 34 percent of system-wide sales, said James Cantalupo, the division's president and chief executive.

A shareholder asked Quinlan if McDonald's American growth has plateaued. Quinlan said that he remains enthusiastic about domestic growth, although he said, "The international division of the company is a vast, untapped source of sales and new growth."

As part of an attempt to make domestic units more profitable, Jack Greenberg, senior executive vice president and chief financial officer, outlined how McDonald's is reducing development costs of new units. In addition to using lower-cost building materials where feasible, the company is experimenting with prefabricated buildings in scaled-down drive-thru-

only operations called McDonald's Express.

In trying to boost customer counts at existing restaurants, McDonald's is updating decor, building expanded "Ronald Play Places" for youngsters and remodeling drive-thrus for faster service.

The company plans to expand McDonald's Express to 20 throughout the U.S. in the coming year, Rensi said.

On the opposite end of the spectrum, a second Golden Arches Cafe will open soon in Tennessee, even though Rensi admitted to being disappointed with sales at the first one, also in a small Tennessee town. The cafe offers 1950s-style diner entrées, such as meat loaf, roast chicken, catfish, Salisbury steak and other blue plate specials that servers deliver to the tables.

Following the series of presentations from chief executives, Quinlan fielded shareholder questions for nearly an hour. In answer to a nun's inquiry about why inner-city employees in Philadelphia are paid less than their counterparts in wealthier suburbs, Quinlan said the company is working on correcting the wage disparity.

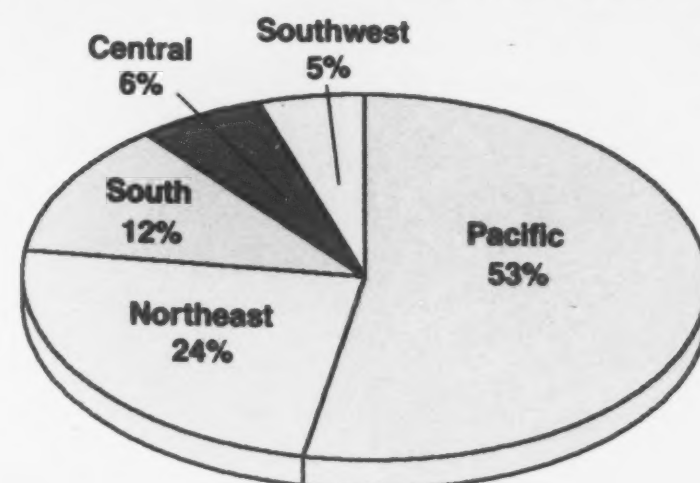
Shareholders present voted down a proposal that McDonald's sign the Valdez Principles, a set of environmental standards written by CERES, an environmental investment group, that would require participating companies to open their environmental records for auditing and public review. Quinlan, who recommended that shareholders vote against the proposal, said McDonald's has its own environmental policies.

FACT FILE

The coast with the most

The Pacific and Northeast regions of the United States together account for 77 percent of all domestic sparkling water.

(1990 total of U.S. bottled water, in percentages by region)



Source: Beverage Marketing

FINANCIAL DIGEST

Sandwich Chef's 3rd-Q net rises 21%

BIRMINGHAM, Ala. — Sandwich Chef, operator of a string of mall-centered deli-type restaurants, reported a 21-percent gain in profits for the third quarter ended March 20, up to \$154,000, on an 8-percent gain in revenues, to \$10.2 million.

Lower fixed costs and a slight decline in food costs helped the company boost its net income even though Sandwich Chef was expecting stronger sales.

For the nine months of the period, profits jumped 14 percent, to \$446,646, on a 10-percent gain in sales, to \$27.5 million.

Executives said the company was expecting a healthier sales picture, but the Persian Gulf crisis and the recession tempered customer visits. Nevertheless, a series of remodeled units and new store openings in the year-ago quarter helped to overcome what might have been even softer results.

Same-store sales were up only 3.3 percent, the company reported.

Two Pesos overcomes year-ago loss

HOUSTON — Wiping out a year-ago loss of \$3.9 million, Two Pesos posted a \$1.2 million profit for the year ended March 31, but revenues contracted 10 percent, down to \$36 million.

The weak economy and customer preoccupation with the recession were cited for the decline in sales. The company's emergence into the black was attributed to lower operating costs, a decline in food expenses and stronger management.

For the fourth quarter Two Pesos reported a \$46,000 profit — vs. a \$1.5 million loss in the year-ago period — while revenues slipped back 12 percent, to \$7.9 million.

Despite slumping sales the company said it is confident that the current operating results put the once-ailing Tex-Mex operator on the road to recovery.

"Our fiscal 1991 results reflect the successful execution of the company's strategy to return to profitability and renew expansion," said Ghulam Bombaywala, president and chief executive officer. "We believe these strategies and our future plans will result in significant earnings increases for the company in its fiscal year."

The company ended the quarter with 25 restaurants.

Furr's/Bishop's loses \$5M in 1st Q

LUBBOCK, Texas — Furr's/Bishop's Inc., operators of the Furr's/Bishop's Cafeteria chains, lost \$5 million in the first quarter ended March 30 while revenues fell 6 percent, down to \$65.4 million.

The company cited a plethora of operating and economic factors to account for its lackluster performance, including its transition from a limited partnership structure to a chartered corporation, the lingering impact of the recession and the loss of \$1.2 million related to a securities transaction.

The company converted from a limited partnership to a corporation late last year, and thus its first-quarter report is its first under its new charter. A year ago Furr's/Bishop's posted a profit of \$723,000.

Promus posts \$2.1M loss in 1st Q

MEMPHIS, Tenn. — The Promus Cos. said lower travel and fewer consumer dollars for entertainment during the recession led to a 3-percent decline in first-quarter revenues, down to \$226.3 million.

The company lost \$2.1 million in the quarter, its first since breaking away from Holiday Inn two years ago.

Operators of the Embassy Suites, Hampton Inn and Homewood Suites hotel chains as well as the casinos Harrah's and Holiday Casino, the Promus Cos. actually posted a 9-percent gain in hotel sales, to \$35 million. But severe drops in casino and resort activity pummeled total revenues.

FOOD PRICE OUTLOOK

Tight lettuce supplies should ease soon

by Patt Patterson

Iceberg lettuce prices have been extremely high lately, but there are signs that they may start falling soon. There will soon be increased production from California's central coastal areas from Salinas to Santa Maria. Prolonged cold weather during the winter and early spring slowed the crop. That, combined with heavier than usual demand, created largely by supermarkets promoting lettuce, has pushed prices up. The foodservice market is directly affected by retail price swings. Some shippers have been allocating shipments to regular customers.

Leaf lettuce prices are still

moderate, although some operators have been switching to Boston (butterhead) lettuce and the red and green leaf varieties. Romaine prices are about the same high levels as iceberg. Broccoli prices are moderate, but cauliflower prices have jumped.

Carrot and cauliflower prices high, broccoli prices at moderate levels. Celery prices have moved up. Strawberry prices are below usual levels for this time of year, mainly because of the cold-delayed California crop.

The ailing economy has been responsible for demand to drop off for a number of foods.

Canned hams are a good example, with extensive discounting going on in imports. Pork prices have been up through a good part of May, because hogs delivered to slaughterhouses have fallen off as farmers spend all their time in their fields. The hog supply is expected to increase as soon as all the planting is done.

Prices on smaller-sized shrimp have dropped a bit, on reduced demand. Although prices have dropped a bit, frozen cod blocks and slabs imports have recently increased. Imports are still more than 30 percent below last year's at this time.

NEWS

Operators bullish on stock offerings

(Continued from page 1)
and companies that have ever considered going public use these opportunities to come out."

Most companies are looking to retire debts and to invest in future expansion, according to prospectuses filed with the SEC. Public offerings generate equity for those purposes quickly and at limited cost. The relative ease in raising equity through the market can outweigh the disadvantage of a shift in company ownership.

"It's a cheap way to raise money, and there is a pent-up desire for money," said Caroline S. Levy, restaurant, foods and lodging analyst at Shearson Lehman Brothers.

While companies nationwide are contributing to the public offering mania — 133 have filed with the SEC for either IPOs or new issues since January, according to Securities Data Co. Inc. — restaurant companies are currently among investors' favorite buys, analysts said.

Restaurant companies have continued to report strong

Company	Total shares	Issue price	Amount (\$ million)	Date
Cracker Barrel Old Country Store	1,500,000	33.25	49.875	2/28/91
Sonic Corp. (IPO)	3,700,000	12.50	46.250	2/28/91
Brinker Intl. Inc.	1,300,000	33.125	43.062	3/18/91
Uno Restaurant	1,200,000	14.625	17.550	3/19/91
Spaghetti Warehouse	750,000	20.062	26.75	5/22/91
Promus Cos.	7,000,000	19.125	133.9	early June
Outback Steakhouse (IPO)	1,370,000	11	15.1	mid June
Au Bon Pain (IPO)	2,300,000	9	20.7	late June
IHPO Corp. (IPO)	4,960,000	13	64.5	late June
Bertucci's Brick Oven Pizzeria (IPO)	1,620,000	12	19.4	late June

earnings despite the economy, Mueller of Montgomery Securities said. He noted that 14 of 19 companies followed by his company had healthy first-quarter earnings and several reported record earnings. Since January the NRN stock index has risen 33 percent compared with a 17.3-percent increase in the S & P 500 index.

"This is increasing interest among investors for smaller-capitalization stocks," Mueller said.

Investors clamored for the more than 4.7 million shares of common stock first offered Feb. 28 by Sonic Corp., said Clifford

Hudson, Sonic Corp.'s vice president of corporate development. The offering raised nearly \$51 million, of which \$34 million went to the Oklahoma City-based company.

Taking 32-year-old Sonic Corp. public made good business sense, Hudson said. Sonic Corp. is the parent company of Sonic Industries and its 1,080 Sonic Drive-Ins.

"We had a group of stockholders who were interested in selling their stock, and the company had some debt that it was interested in retiring," he said. "The best way to achieve both goals was to go public. Our com-

pany had just reached the point where we felt it was large enough to take public."

The public now owns about 53 percent of Sonic Corp., and management owns 27 percent, Hudson said.

Ten-year-old Au Bon Pain Co. Inc. is also ready to be public and is now awaiting SEC approval to sell 2.3 million shares of common stock on the open market, company officials said. The offering is expected to raise more than \$20 million, according to the prospectus.

Proceeds from the offering will be used to pay off debt, strengthen the company's bal-

ance sheet and fuel expansion, said Anthony J. Carroll, vice president and chief financial officer.

Au Bon Pain is a chain of 90 bakery cafes located primarily in urban areas along the East Coast. Seventy-one of the stores are owned by the Boston-based company.

Since Brinker International went public in 1984, officials have used market performance to time their new-issue offerings, said Ron McDougall, president and chief operating officer of the Dallas-based company. "We've never gone against the grain," he explained.

By working with the market, the company recently raised \$43 million from an oversubscribed new issue of 1.65 million shares of Brinker common stock, McDougall said. The proceeds will be used both to pay off debt and to expand the company's Macaroni Grill chain, he said.

Brinker is now "basically self-funding and debt-free," McDougall noted. There will be no more new issues in the foreseeable future, he added.

Cruise dining operators cast nets for Chicago passengers

(Continued from page 3)
From the second you get on that ship, you are entertained," Tobin said.

New this year on The Spirit of Chicago is dinner table service of a choice of three entrées instead of buffet service. If that upgraded service style goes over well here, the company plans to roll it out in its other ports next year.

"A lot of ships try to be like high-end restaurants," Tobin said. "I don't think you can compete on that level. We will compete for other fun things to do that take two or three hours."

The Odyssey is one of those ships that are emphasizing their fine restaurant qualities, aimed at attracting repeat customers several times each season. The menu will change every two months. "We will be a destination restaurant," predicted Michael Higgins, co-owner.

David Koelling, Higgins' partner and executive chef, who also owns The Greenery Restaurant in Barrington, Ill., expects that individuals who dine on board will enjoy themselves so much they will return later with friends or book a group function.

Offering more tableside service than its competitors, the Odyssey also charges the highest rates — \$63 for weekend dinner cruises, without tax and tip, compared with \$50.35 on The Spirit, without tax or tip. Odyssey lunches, which are buffet style, are \$24, almost the same price as The Spirit's.

Group bookings offer slight discounts. About 75 percent of The Spirit's bookings are groups, vs. about 60 percent of The Odyssey's.

For dinners, both competitors offer a choice of three or four

entrées. The Odyssey's current choices are pepper-grilled yellowfin tuna with citrus Hollandaise; herb-roasted free-range chicken; tenderloin of beef with Roquefort butter; or beef tenderloin with lobster tail and sauce Bearnaise, for an additional \$10.

The Spirit's dinner entrées are Norwegian salmon, prime rib or chicken breast stuffed with Boursin cheese.

The Odyssey also offers a private dining room for 50, the Admiral's Lounge, equipped with audiovisual equipment and its own bar and rest rooms. Special upgraded menus are available to groups booking that room.

The Odyssey's entertainment is nightclub style, such as light jazz and a piano lounge. The Spirit features Broadway-style live music, complete with performing wait staffers. It also

has themed cruises, such as tropical parties on Thursdays and big band lunches.

Operators of both ships say they can sail in most weather conditions. If the lake is especially choppy, they sail a shorter distance closer to shore, where waters are calmer. Temperature-controlled enclosed decks allow comfortable dining in all weather.

Chicago's First Lady is small enough to sail on the Chicago River without the need to raise the bridges, an option it plans to exercise when the lake is too rough. Its operator, Mercury Cruiseline, has run sightseeing cruises for 47 years on the river and along the Lake Michigan shoreline.

All meals on the First Lady will be catered by Chicago Caterers Ltd. Capacity is 250 for buffets and 112 for formal seat-

ing. The ship, still under construction, is expected to start cruising in mid-July.

The Spirit expects to carry 140,000 passengers this season, from March through October, while The Odyssey projects a total passenger load of 150,000 during its six-and-one-half-month main cruising season. The Odyssey's owners plan to attract enough additional passengers to continue operating through the Christmas holidays while docked with much of Chicago's skyline in view.

Both of the big ships' owners plan to expand to other ports as opportunities arise. According to Higgins, cruise dining is not a growing niche but still offers opportunities.

"We are doing something that is already out there," he said. "We are just trying to do it better."

Debevic's, Gilbert/Robinson buyout debt leaves investor group struggling

(Continued from page 3)
buildings and shopping centers. Pilevsky is president and sole owner of Philips International Holding Corp., and Cohen is chairman and chief executive of The Arlen Corp. Both men are based in New York.

While neither Cohen nor Pilevsky would comment on the status of either company, Frederick Hipp, president and chief executive of Gilbert/Robinson Inc., emphasized that "there is no association whatsoever between Ed Debevic's and Gilbert/Robinson. They are two distinct and legally separate companies."

Hipp explained I & M Acquisition Corp. — which is controlled by Cohen and Pilevsky — owns 80 percent of fully diluted shares of Gilbert/Robinson Inc. European American Bank, for its part, holds I & M's

shares as collateral against the loan.

"EAB notified I & M that if they were unable to come to an agreement, the bank would consider selling their stock in Gilbert/Robinson to recover their collateral," Hipp said.

Such an action would constitute a "change in control of major ownership," Hipp continued. "In that case bondholders can turn in their bonds and require us to pay them out."

If the stock ownership were to change, it could trigger the acceleration of repayment on a \$107 million loan from the New York branch of Credit Agricole-CNCA as well as \$85 million in bond debt.

Hipp remains optimistic concerning the talks between I & M and EAB, however. "It appears to be on the way to resolution," he said. "Successful nego-

tiations seem to be under way."

The recent Chapter 11 filing for Ed's Holding Corp., however, appears to still be in the early stages. Moreover, the filing apparently caught the other principals off balance.

Dennis Riese, who is an equal shareholder with Cohen and Pilevsky, said that while he had "engineered the original deal, I'm just a stockholder [in the corporation]. I'm completely out of the loop. This is a technical situation controlled by the financiers."

Gerard Centioli, president and chief executive of Ed Debevic's Inc., said, "LEYE was not part of the process. It took us by surprise." Centioli added that LEYE was not even notified about the bankruptcy petition until three days after it had been filed in New York.

With stocks and options,

senior partners in LEYE own about 16 percent of Ed's Holding Corp.

And while none of the principals would comment on the reason for the filing, one source suggested that they had paid full market value for the Debevic's chain when it was purchased in August 1989. Moreover, the deal with the lender bank was structured in a highly leveraged fashion that required the principals to make equity contributions down the road — which, according to speculation, were not made when they came due.

"LEYE is philosophically opposed to Chapter 11," Centioli continued. "We're not naive, and we recognize that such transactions can encounter difficulties. But our hopes would be that principals can sit down and work through the prob-

lems."

Ed's Holding Corp. purchased Ed Debevic's from Collins Foods International in Los Angeles, Big 4 in Phoenix and LEYE.

Centioli noted that the six Ed Debevic's restaurants — located in New York; Chicago; Deerfield, Ill.; Torrance and Beverly Hills, Calif.; and Phoenix — are doing well.

"Our latest Ed's in New York is currently exceeding our sales expectations, and we expect it to in the future," he said.

Ed Debevic's restaurants average about \$3.5 million in sales per store.

He also explained that the Chapter 11 filing will have no effect on Ed Debevic's operations.

"We'll continue to develop the chain at about the same pace we have been," Centioli said.